



**SoCore Energy's Comments on the
Illinois Power Agency's Draft 2013 Procurement Plan
Submitted September 14, 2013**

SoCore Energy, LLC ("SoCore") appreciates this opportunity to comment on the Illinois Power Agency's ("IPA") Draft 2013 Power Procurement Plan ("Draft Plan"). SoCore is a commercial-sector solar energy developer based in downtown Chicago. We have designed and installed over 75 commercial solar installations in ten states, amounting to more than ten megawatts ("MW") of total capacity, with approximately 100 MW of projects in our one-two year pipeline. Our client list includes global and national retailers like Walgreens and IKEA as well as leading commercial property owners including Kimco, Health Care Reit, and Regency.

Although the costs of solar energy have dropped precipitously in recent years, policy-driven incentives are necessary for solar energy to compete on an even playing field with electricity generated by power plants that were subsidized, financed, and constructed long ago. The mandatory solar and distributed generation ("DG") carve-outs in the IPA Act (20 ILCS 3855) could put Illinois on the map as a leading solar market, driving huge gains in terms of job development and economic investment. Unfortunately, the Draft Plan makes a plain case that the compulsory carve-outs in the IPA Act are effectively unimplementable under the current statutory framework. There is, or will soon be, no money available in the utility-funded Renewable Resource Budget (the "RRB") to pay for DG and solar renewable energy credits

(“RECs”). The Draft Plan highlights the fact that a “supply-side” RPS-compliance surcharge is fundamentally unworkable in a deregulated state like Illinois in which customers are rapidly migrating from ComEd and Ameren’s default supply pool to the competitive electricity market. The IPA warned of this predicament in each of the last two annual procurement plans, and in the 2013 Draft Plan, the impacts of customer switching and municipal aggregation could not be clearer. This budgetary framework undermines IPA’s ability to advance the objectives in the IPA Act of encouraging resource diversity, advancing price competition and price stability, promoting investment and development, and avoiding the need for new generation, transmission, and distribution infrastructure.

While we recognize that this is not the correct venue for recommending legislative action, this problem cannot be solved without it. Given the existing framework in Illinois, SoCore supports the idea (briefly mentioned on Page 82 of the Draft Plan) of assessing the RPS surcharge as a “wires charge” on the delivery side of the electric bill. While it is clearly not within the IPA’s authority to enact this change, we recommend that the Agency consider advocating for it and educating legislators and other decision-makers about why it is necessary. This amendment would not increase the cost of RPS compliance; the existing 2% rate impact cap would still apply. It would, however, unite the REC procurement requirements and the dollars available for compliance under one plan, designed by the IPA with stakeholder input and ultimately reviewed and approved by the Illinois Commerce Commission through a docketed proceeding. Customer switching would no longer complicate Illinois’ efforts to meet its RPS requirements and the size of the renewable energy market opportunity would be visible over a long time horizon to businesses considering making an investment in Illinois. Ultimately, greater market transparency and an even playing field for all participants will foster a healthy and

competitive renewable energy industry, advance price competition and stability and the other statutory objectives of the IPA Act.

RECOMMENDATIONS FOR THE 2013 DRAFT PLAN

Despite the challenges outlined above, SoCore believes that there is an alternative path for the IPA to conduct a DG procurement in 2013. As the utility-funded RRB has decreased with customer switching, the ARES alternative compliance payment (“ACP”) -funded Renewable Energy Resources Budget (the “RERF”) has increased. The IPA has proposed to use a portion of the RERF, as well as ACP funds collected from hourly-priced service customers, to cover stranded costs from the 2010 long term contracts, but that should only require a small portion of the available funding in the RERF in 2013 and each year thereafter. There should be more than enough money to conduct a sizable DG procurement in 2013. Should the “wires charge” legislation pass, the funding source for the requisite five-year DG contracts could simply be assigned to the “united” RPS-compliance budget, without stranding the liability for those contracts.

SoCore supports the inclusion of the proposed Distributed Renewable Resource Generation Program in this Draft Plan (Pages 86-88). The IPA’s proposed program draws from features of successful programs in other states and reflects recommendations from the Spring 2012 stakeholder workshops. We would like to recommend the following modifications for IPA’s consideration:

- (1) The proposal establishes a minimum bid size of 1 MW for the larger system auction.

Presumably bidders will be allowed to respond with a single project ≥ 1 MW or with an aggregated group of projects that amount to at least 1 MW in total capacity. We do not object to requiring participants to aggregate a minimum of 1 MW of capacity, but bidders

absolutely need flexibility to bid each individual project in the aggregated group into the auction at a different SREC price. This is a critical point for ensuring that the program is viable for < 1MW DG projects (almost all rooftop solar energy will fall into this category). In an aggregated group, the specific economics of each individual project (driven by system size, equipment needs, production factors, credit quality of the energy off-taker, etc.) will require a particular SREC price to make the project viable. The IPA can accomplish the *objective* of the 1 MW threshold (minimizing the burden on contracting entities) without requiring bidders to submit a single SREC price for all projects in an aggregated bid.

- (2) The IPA has proposed charging an application fee of \$5 for each kW of capacity bid into the large system auction. We support application fees, and we feel that \$5/kW is sufficiently hefty to reduce the chances that bidders will toss in bids at unrealistic prices for speculative projects that have a low likelihood of getting built. Serious bidders will be able to justify a \$5/kW “pay-to-play” fee if they feel there is at least a reasonable likelihood of success. For competitive project developers, this calculation is a function of the amount of capacity up for bid in the auction. In other words, even competitive developers may choose to sit out an auction with a \$5/kW application fee if only 5 MW of capacity is on offer, whereas a 30 MW auction would be judged “worth the risk.” We therefore recommend that the IPA maintain flexibility to establish an application fee after the capacity targets for the DG auction have been clarified.
- (3) We recommend that the IPA require all participating DG RECs to be registered through either PJM-GATS or MISO M-RETS. Offering participants the option of self-certifying RECs would unnecessarily open up the door to inaccuracies. We are not aware of any other compliance-driven REC market that offers a self-certification option.

(4) While we support the idea of using the average winning price of the competitive auction for larger systems to derive a price for a small (<25 kW) system “standard offer,” we believe the proposed scalar of 1.25 is higher than it needs to be to attract participation. In Illinois, distribution charges for residential and very small commercial customers are assessed on a variable, per-kWh basis which can be offset with behind-the-meter DG, whereas medium and large commercial customers are subject to demand-based (per-kW) distribution rates, which cannot be offset with DG. Residential and very small commercial customers can also take advantage of net metering at the retail rate. As a result, the underlying energy price offset by a solar system will be considerably higher for smaller systems relative to larger systems, narrowing the advantage that larger systems gain from economies of scale. We suggest that the IPA account for these other factors, in addition to installed costs, when calculating the scalar.

Respectfully Submitted,

A handwritten signature in black ink, reading "Madeleine Weil". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Madeleine Weil
Vice President of Policy